

INTEGRATING DENIED CLAIMS INTO BENEFITS QC: THE DESIGN AND STATUS OF THE "DENIALS" PILOT PROJECT

I. INTRODUCTION

On December 24, 1985, the Unemployment Insurance Service sent out a TWX requesting States to volunteer for either or both of two pilot tests: incorporating denied claims into UI benefits QC operations, and establishing and testing a QC program for tax operations. Five States--Iowa, Louisiana, Pennsylvania, South Carolina, and Washington--were chosen for the denied claims project. Their representatives have met five times with UI QC National and Regional Office staff, as well as staff from Applied Management Sciences, Inc. (ETA's pilot support contractor) to design the project. Implementation is tentatively scheduled for September 1986, with data to be collected at least through March 1987.

The purpose of this paper is to acquaint all States with the objectives, main design features, and current status of this pilot effort. The next section explains the rationale for pilot projects in the UI/QC program and the objectives of this project. This is followed by background on denied claims. Section IV describes the design approaches to be taken during the pilot, and the sampling designs which primarily differentiate them. Section V covers the investigative procedures, and how they differ from those in Core. The paper concludes with a discussion of the chronology of the pilots, their current status and projected schedule.

II. THE PLACE OF QC PILOTS AND OBJECTIVES OF THE DENIALS PILOT

From the beginning, QC was envisioned as a comprehensive system for assessing the accuracy of both UI benefit and tax operations. At the same time, it was realized that the goal of comprehensiveness should be approached gradually, with each step beyond the Core (modeled closely on Random Audit) taken only after pilot testing. Furthermore, the goal of comprehensiveness was never an absolute one: considerations of cost and effectiveness would influence decisions about how comprehensive QC would ultimately become. One of the goals of pilot tests would be to provide information on the costs and results of expansions beyond the Core, in addition to giving a sense of how various expansions might be implemented.

Initially, several pilots were planned for QC: investigating interstate benefit operations; assessing alternative verification methods and alternative sample selection methods; extending benefits QC to include Extended Benefit payments and denied claims; and broadening QC to embrace tax collections and cash flow management operations ("Revenue QC" or RQC), to name the most important. The priorities among possible pilots have shifted over time. As a result of the Secretary's policy review, incorporating denied claims into Benefits QC will receive top priority, followed closely by developing a Revenue QC program. Both will be implemented as soon as feasible following completion of pilot tests.

Objectives of Denials Pilots. The main objective of these pilots is to determine the most feasible and cost-effective ways of investigating all benefit payment determinations--payments and denials--to obtain a fully rounded picture of the accuracy of those determinations. The pilot projects are designed to test ways to include denied claims in QC investigations and to determine how accurately States are making determinations which deny benefits as well as those which allow benefits.

In the course of assisting us to determine how to build the requisite balance into benefits QC, the denials pilots are expected to answer several kinds of questions.

- o What are the error rates on denials and how are these rates affected by State law and other factors?
- o How effectively does the appeals process correct errors initially made on denied claims, and how likely are claimants to appeal erroneously denied claims?
- o What is the "true" dollar overpayment rate in the pilot States, obtained by integrating dollar errors on denied claims with those on paid claims, and how much difference do denials errors make? How difficult is it to integrate denials with payments data to achieve this "true" total error rate?
- o How equitable, feasible, and cost-effective is it to determine error rates on denials at the monetary, separation, and nonseparation levels of decision?
- o What are the costs and difficulties of investigating denied claims in various kinds of States and how do these compare with investigating payments?
- o What is the best approach for investigating denied claims along with payments, and thus what seems to be the best approach for benefits QC as a whole? Does there seem to be more than one satisfactory approach, depending on the characteristics of the State?

- o How should the sampling frames be designed in various States?

The pilots should determine accurately staff times needed to investigate the various kinds of denials and suggest appropriate sample sizes, thus making budgeting and allocations much more precise for the future.

III. BACKGROUND: DENIALS IN THE UI BENEFIT PAYMENT PROCESS

Denials in the UI Benefit Flow

1. What are Denials? A denial occurs when an individual files either an initial or a continued claim for UI benefits and the claims process is terminated for either a monetary or nonmonetary reason. Depending on the reason, the claims process may be stopped for one week, several weeks, or indefinitely. Each State agency will have a record (at the local office, or central office, or both) of the denial action. These can be called formal or recorded denials.

Denials can also occur informally and go unrecorded. Based on what an individual knows or has been told about the system, he may not go into an office to file a claim he believes will be denied. These are "discouraged denials", analogous to the "discouraged worker" who does not seek work because he believes no work is available at a satisfactory wage and thus joins the unrecorded or "hidden" unemployed. A component of the unrecorded denials is the group often termed "counter denials." Some States do premonetary screening, running potential claimants' Social Security account numbers against on-line wage records to determine monetary eligibility. Claimants with insufficient credits in the wage file are informed of the monetary problem and many then decide not to file the claim or question the adequacy of the agency's information. Similarly, they may decide not to file after an informal discussion of the circumstances surrounding their separation from work.

Figure 1 is a bar diagram illustrating job separations and UI claims and results. Where magnitudes are known, they are measured using CY 1984 data. The first bar represents the total universe from which UI claims can come: Total job separations leading to a spell of unemployment. Bureau of Labor Statistics data on the work experience of the population suggest that in CY 1984 it was about 32 million. Of this number, about 11.6 million filed initial UI claims. The rest of the chart shows how the universe of claimants is reduced by monetary and separation denials until only about 7.5 million actually receive a first payment (the chart ignores the relatively small number who do not receive a first payment because they leave the labor force or find jobs). Because of differences in the way State laws impose disqualifications for nonmonetary denials, it is difficult to relate denial actions

to weeks denied precisely. For example, some persons whose claims were denied for separation reasons "serve their denial" and its attendant temporary disqualification, and eventually receive a first payment and subsequent payments. Similarly, persons denied for able/available reasons at the nonsep level are temporarily ineligible. In the aggregate, UI reports indicate that in CY 1984, approximately 3.3 million nonmonetary denial actions resulted in approximately 15.6 million denied weeks claimed.

The same process is illustrated in more detail in Figure 2 for formal or recorded denials. Although this figure makes some simplifying assumptions about the UI claims process, it shows with considerable accuracy the relationship among the different types of claims and indicates explicitly how determinations leading to each week paid are made at three levels:

1. Monetary Determinations. These involve new initial and transitional initial claims (transitional claims span 2 benefit years (BY), occurring when a continued spell of unemployment runs past the end of the first BY). Monetarily ineligible claimants cannot enter the system due to lack of weeks or wage credits. In CY 1984, about 1.87 million initial claims were denied for lack of monetary eligibility.

2. Separation Determinations. The reason for separation from last job (and, in some States, other base period jobs) of monetarily eligible claims is next reviewed, when the claimant claims either a first week (New IC) or files an additional IC. Claims denied for separation reasons may or may not take the claimant out of the system; in some cases the disqualification is temporary and once served the claimant may claim weeks and undergo a nonseparation determination. Number denied in CY 1984: 1.45 million.

3. Nonseparation Determinations. Claimants who are monetarily eligible and either not disqualified or who have served disqualification after denial file for a week's payment and are judged on whether they were able and available for work, did not refuse suitable work, etc. in that week. Denials can result in disqualifications for the week in question, several weeks, or indefinite duration, depending on State law and reason. A person could appear in both categories (2) and (3) by serving a temporary disqualification for a separation denial and then being denied for a nonmonetary reason when filing a continued claim. Number denied in CY 1984: 1.88 million.

FIGURE 1
JOB SEPARATIONS, INITIAL CLAIMS, CONTINUED CLAIMS, AND DENIALS
REGULAR UI INTRASTATE PROGRAM
(NUMBERS IN MILLIONS - CY 1984 U.S. TOTALS)

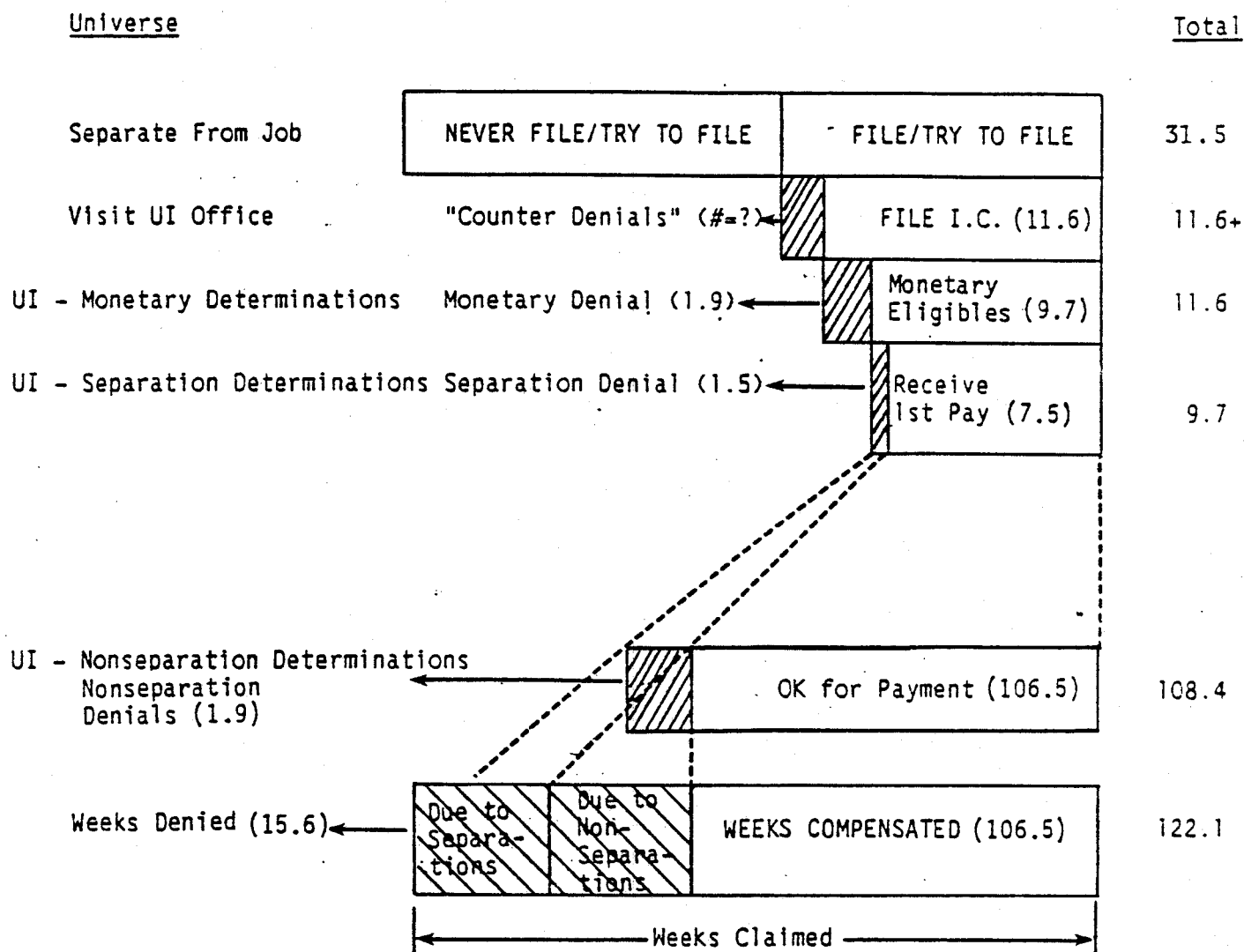
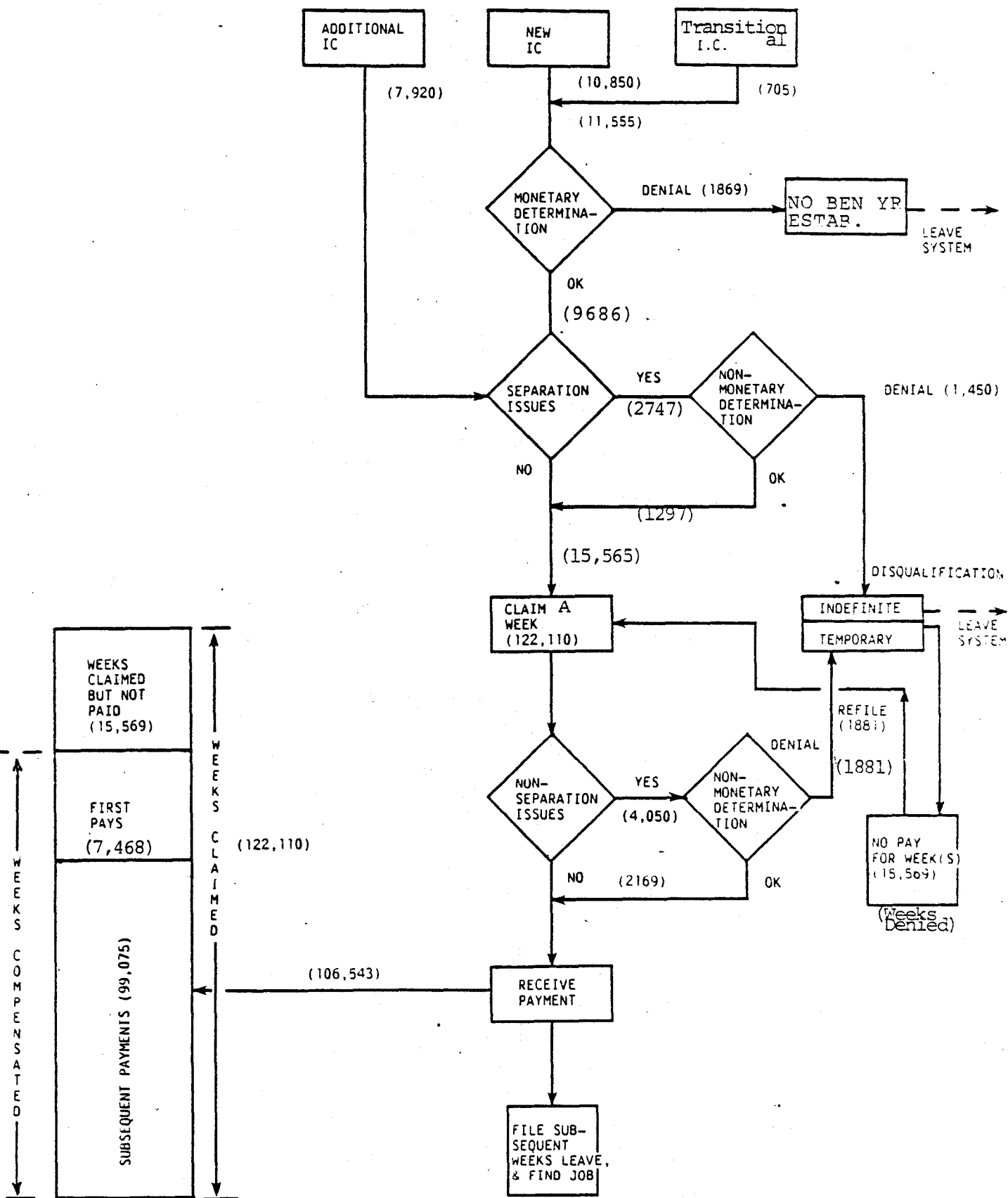


FIGURE 2

ACTIVITY FLOWS - REGULAR UI INTRASTATE PROGRAM
CY 1984 - NUMBERS IN THOUSANDS



This terminology is broader than customary UI usage. Technically, a "determination" is only made at a nonmonetary decision point when an issue has been raised. Chart 2 indicates that in CY 1984, roughly two issues were raised for each nonmon denial. Conceptually, however, a determination is always made at the Separation (last job) and Nonseparation (able and available; and did not refuse suitable work) points--even if it is only that the decision should be positive because no information is available which would raise an issue. (RA findings indicate that very often, an issue should have been raised--that the positive determination was incorrect and resulted in an overpayment.)

Importance of Denials for Benefits QC

Because denials are not investigated through the Core QC process, the estimated errors which Core QC identifies have a bias (of unknown size) toward overpayments. Core QC develops an accurate and complete estimate of overpayment errors because it effectively samples the entire universe of payments. However, it develops evidence on only part of the universe of underpayments--those payments received by claimants which were undercalculated. RA evidence indicates that about one dollar is underpaid for every seven overpaid. The other part of the underpayments universe, claimants improperly denied benefits totally, can only be estimated by examining denied claims. The size of this portion is not known; given the relative volumes of payment and other positive determinations to denials, the existence of the appeals process, and the usual tendency of most UI agencies to "give the benefit of the doubt" to claimants, the common belief within the UI administrative community is that it is quite small. The pilot will test the truth of that belief.

Table 1 shows the relative volumes of issues and denials to total determinations at the three decision points in the claims process. The percentage of claims denied to total determinations declines sharply as the process moves to each subsequent stage, falling to less than 2 percent of nonseparation determinations (decisions on weeks claimed). Table 1 can also be used to determine the percentage of total determination actions (for Regular UI programs only) included in the Core QC universe. By sampling payments, each one of which presumes a positive determination made at the monetary, separation, and nonseparation decision points, Core QC effectively samples from a universe including 96% of all benefit determinations (131.8 million out of the total 137 million determinations). (The percentage is lower--about 87%--if total denied weeks are included in the basis for comparison. But, as noted in the discussion of Figure 1, 3.3 million actual denials translate into 15.6 million denied weeks.)

Table 1
Determination Actions and Denials, CY 1984
Regular State UI Program - Numbers in Thousands

<u>Type of Action</u>	<u>Total No.</u>	<u>No. Denials</u>	<u>Den. as %</u>
Monetary	11,555	1,869	16.2
Separation	17,015	1,450	8.5
Nonseparation	108,424	1,881	1.7
<u>TOTAL</u>	<u>136,994</u>	<u>5,200</u>	<u>3.8</u>

IV. SUMMARY OF DESIGN OPTIONS

Initial design efforts, the latter phases involving the pilot States, developed three distinct options for incorporating denials into QC. The first of these involves using Core QC as it currently exists and adding denials cases to the sample frame. This option is being called Core QC Plus Add-Ons. It will be implemented by Louisiana. The second option is to pilot test a quality control approach which involved investigating both denial and approval actions. This second approach, called Sample Determination Actions, is being pilot tested by Pennsylvania. The third option, called the Benefit Year Approach, involves drawing a sample of initial claims and tracking those for a period of time before investigation. Both denial and payment cases would be investigated. The remainder of this chapter summarizes in more detail each of the design options, with particular emphasis on the sampling aspects of the option, which primarily differentiate the options from one another.

The design of each option attempted to embody certain principles. The overriding one was to ensure that investigative procedures were as consistent with those of Core QC as possible and consistent with those of other options. The second was to ensure that as much as possible, denials investigations would not interfere unduly with the conduct of any appeals processes. A third was to permit as much integration of staff between the pilots and Core QC as possible. These principles were intended to ensure that States would be able to devote high-quality, well-trained personnel to the pilots, thus ensuring high quality data from the pilots; to permit the determination of error rates on denials and determination of to what extent any denials errors are being rectified through the appeals process; and finally, to make a judgment about the virtues of the different approaches to incorporating denials into the benefits QC process.

Option 1: Core QC Plus Add-Ons (Louisiana)

This option, implemented in Louisiana, builds on the premise that Core QC is the best approach to estimate error rates for payments actually made to claimants and that adding denials should disturb Core QC as little as possible. This approach involves supplementing Core QC's weekly sample of payments with a sample of cases denied in a week.

Three types of denials actions are sampled: (1) initial monetary denials, (2) denials for separation issues, and (3) denials for non-monetary, non-separation issues. An equal number of each type of denial action will be sampled. At the proposed staffing level a weekly sample of 12 cases is anticipated--four of each type of denial.

The investigation of the denial cases would focus only on the determination that resulted in the denial and any other determinations occurring at the same decision level (e.g., nonmon, nonsep: a denial could occur for a worksearch deficiency but there may also be an able/available problem involved). Unlike in the Core QC investigations, earlier determinations (different determination levels) would not be investigated. The reason for this narrower scope is that denials QC is more directed at measuring error in the particular denial action sampled rather than in estimating total error associated with a payment (which could result from earlier actions) as is Core QC. With this change in scope, the investigations would be carried out in essentially the same way as in Core QC.

In discussions with Louisiana, the National Office is exploring the possibility of making direct comparisons between error rates from Core QC and error rates from the denials sample. In such comparisons an effort will be made to standardize the samples by the date of the determination action and also the type of investigation. Since Core QC involves all three levels of determinations (initial monetary, separation, non-monetary/non-separation), comparisons between error rates can be made at each level.

Sampling Frame. This sample will be drawn using separate sampling frames for monetary ineligibles, separation issues denials, and non-separation issues denials. As in Core QC, the sampling frame will be limited to case actions in the regular UI benefits program, UCFE, UCX, and CWC.

Three separate sampling frames can be defined using weekly transactions files on the state's mainframe. The transactions files should be created weekly using the last determination in a week if there are multiple transactions on the same claim in a week.

Sampling Methodology. The state should sort their transactions files by base period wages. This sorting variable is available for all three types of negative case actions.

The sample will be selected weekly in order to keep the "trail fresh" and to coordinate with Core QC.

Sample Size. With the staffing level allocated to the Option 1 denial pilot (4 1/2 investigators) it is expected that investigations could be completed at the rate of 12 per week. These 12 cases will be split equally among the three types of denial actions.

Frequency. Core QC samples are selected from a universe of weeks compensated within a seven-day period, called the batch. This approach has worked well with Random Audit and Core QC, and it should be continued for constructing the sampling frame weekly from the universe of UI benefit program determinations for monetary, separation, and non-separation issues.

Comparison Tests. The characteristics of Core QC samples are compared to the population for three demographic data elements (age, sex, race) and the amount paid, offset, or intercepted. These hypothesis tests evaluate the representativeness of the samples and have, under Random Audit, been used as diagnostic tools to indicate deviations from prescribed methodology.

These tests should continue for the denials pilots. In the absence of any empirical evidence that different data elements would be preferable, the three demographic elements used in Random Audit will also be used in the comparison tests for the denials pilots. In place of amount paid, offset or intercepted, base period wages can be used as the fourth data element in the tests.

Assignment of Cases to Investigators. A period of 15 days must pass before a case can be assigned for investigation. This is the length of the appeals filing period. The investigation is delayed to ensure that designating a case for investigation does not influence a denied claimant's decision to appeal. If there has been a redetermination resulting in the reversal of an initial monetary denial during the 15 days, the case will be dropped from the sample and not investigated. This deletion of cases will be done manually according to a set of procedures provided by the DOL National Office.

Option 2: Sample Determination Actions (Pennsylvania)

Option 2 focuses on measuring errors at each of the three determination levels. The sample frame consists of denial and eligible cases of each at the three levels (monetary, separation, non-monetary/non-separation). Because the sample frame for eligible cases differs from the frame of payment transactions used in core QC, Option 2 offers a different approach than core QC to measuring error in payment cases. The primary advantage of this approach is that it provides an opportunity to measure error directly at the determination level and to set sample sizes appropriate to maximizing precision in comparisons between error rates for different types of determinations.

To implement this option, a sample of 24 cases per week will be drawn by Pennsylvania. The sample will be distributed equally across the six groups: (1) monetary eligible, (2) monetary ineligible, (3) separation eligible, (4) separation denials, (5) non-monetary/non-separation eligible, (6) non-monetary/non-separation denials. The sample will be drawn weekly from files of determination transactions.

The investigation would focus only on the determination resulting in the approval or denial. This narrow focus is considered appropriate to facilitate comparisons of error rates by type of determination. Comparisons between error rates for denial and eligible cases can be directly made in Option 2 without having to utilize data from Core QC.

Sampling Frame. The universe of transactions in the Unemployment Insurance (UI) benefits system can be classified into three categories:

1. monetary determinations,
2. separation determinations, and
3. non-monetary/non-separation determinations.

Under option 2 of the denials pilots, UI determinations will be sampled at each of the three levels. Both denials and determinations of eligibility will be investigated. As in Core QC, the sampling frame will be restricted to determinations involving the regular UI benefits program, UCFE, UCX, and CWC.

Sampling Methodology. Six strata will be created, corresponding to denials and determinations of eligibility in each of the three determination categories. Under this option, staff resources will be divided between investigations of positive determinations of eligibility and investigations of denials. An equal allocation of the sample across the six groups is proposed. With the staffing level for this option it is expected that a sample of 24 cases per week could be investigated, with 4 cases each from the following six groups:

1. Monetary ineligible
2. Monetary eligible
3. Separation issue denial
4. Separation issue eligible
5. Non-monetary, non-separation denial
6. Non-monetary, non-separation eligible (week paid)

Sample Size. The sample size is estimated at 24 cases per week with the sample split equally across the six groups. This estimate is consistent with a staffing level of 8 1/2 investigators.

The sample frames for the first five groups would be weekly transactions files defined by the last transaction of the specified type occurring during a given week. For separation issues the sample frame of eligibles will be all cases for which a waiting week certification is made in the transaction week. For the sixth group (non-monetary, non-separation eligibles) the Core QC transaction file record will be used and 4 pilot cases per week will be drawn but restricted to local offices having automated denials at the start of the pilot project.

An equal allocation of the sample between denials and determinations of eligibility was chosen to produce estimates at the same level of precision for both groups (assuming equal variability in the population).

Frequency. Core QC samples are selected from a universe of weeks compensated within a seven-day period, called the batch. This approach has worked well, and it should be continued to construct the sampling frame weekly from the universe of UI benefit program determinations for monetary, separation, and non-separation issues.

Comparison Tests. The characteristics of Core QC samples are compared to the population for three demographic data elements (age, sex, race) and the amount paid, offset, or intercepted. These hypothesis tests evaluate the representativeness of the samples and have, under Random Audit, been used as diagnostic tools to indicate deviations from prescribed methodology.

These tests should continue for the denials pilots. In the absence of any empirical evidence that different data elements would be preferable, the three demographic elements used in Random Audit will also be used in the comparison tests for the denials pilots. In place of amount paid, offset, or intercepted, base period wages will be used as the fourth data element in the tests.

Assignment of Cases to Investigators. A period of 15 days must pass before a case can be assigned for investigation. This is the length of the appeals filing

period. The investigation is delayed to ensure that designating a case for investigation does not influence a denied claimant's decision to appeal. If during the 15 days there has been a redetermination resulting in the reversal of an initial monetary determination, the case will be dropped from the sample and not investigated. This deletion of cases will be done manually according to a set of procedures provided by the DOL National Office.

Option 3: Benefit Year Approach (Washington, Iowa, South Carolina)

The third option offers an opportunity to track a cohort of initial claims through its Benefit Year history. A sample of initial claims would be drawn in each week. Investigations would be triggered by specific events in the claimant's history. A high fraction of all denial actions would be investigated. To determine which payment actions would be investigated, an investigation week is randomly assigned for all claims that are monetarily eligible. When a case reaches its randomly assigned week of payment, it is scheduled for investigation. If the cases assigned for investigation in a given week exceed the number staff can investigate, some will be excluded randomly. The method of exclusion will retain a higher fraction of denial cases than eligible cases.

The primary advantages of Option 3 are that it allows the experience of an entering cohort to be tracked longitudinally and error rates to be summarized by cohort. The summary of errors by cohort would include denials as well as eligibles.

The scope of the QC investigation for payments would be similar to that in core QC. All prior monetary and separation determinations would be investigated. However, for denials, the investigation would be limited to the particular level at which the determination occurred (the same as with the other options).

Sampling Frame. The Benefit Year (longitudinal) approach to benefits QC involves two-stage sampling. In the first stage, a relatively small weekly sample will be drawn of new and transitional initial claims against the regular UI benefits program, UCFE, UCX, and CWC. The essence of the approach is continuous tracking of this sample, with investigations of denials as they occur. In addition, a certain number of payments will also be investigated as they occur. This approach will enable QC to accumulate over time a comprehensive picture of all UI determinations.

The second stage of sampling under Option 3 is the weekly selection of denials and payments to investigate. There will be four sampling frames for the second stage, corresponding to monetary denials, separation denials, nonmonetary nonseparation denials, and payments.

Sampling Methodology. Each state under Option 3 will create a weekly transaction file of all new and transitional initial claims, which will serve as the frame for the first stage of sampling. The weekly sampled claims will be stored in a Tracking File, and all subsequent activity on those claims will be reflected in the Tracking File.

The methodology for second stage sampling will depend on the number of claims in the Tracking File that are eligible for investigation. To be eligible, the claim must satisfy one of the following criteria:

- (1) The claim has been denied on the basis of a monetary determination and the determination occurred two weeks ago (to allow for automatic monetary redeterminations); or
- (2) The claim has been denied on the basis of a monetary redetermination and the redetermination occurred in the current week; or
- (3) The claim has been denied on the basis of a separation determination and the determination occurred in the current week; or
- (4) The claim has been denied on the basis of a nonmonetary nonseparation determination and the determination occurred in the current week; or
- (5) The claimant received a payment in the current week and this payment was previously selected for investigation.

These criteria correspond to the four sampling frames defined above, where denials for both monetary determinations and redeterminations are united into one sampling frame.

Sample Size. New and transitional initial claims should be oversampled, at least at the beginning of the Denials Pilot, to ensure a sufficient weekly flow of total investigations. The degree of oversampling must not be so excessive that the second stage of sampling selects only a small percentage of the total number of eligible investigations. If this occurs, Option 3 will closely resemble Option 1 and the advantages to using the Benefit Year approach will be significantly diminished. At this point, initial weekly sample sizes of new plus transitional initial claims have not been established for the three pilot States.

When performing the second stage sampling, primary consideration must be given to the number selected from each sampling frame. Specifically, a sufficient number of investigations must be performed within each type of denial (or payment) to ensure an adequate number of investigations to generalize results. To control the total number of each type of investigation, states will be supplied with target sample numbers for each week for each sampling frame. If the total number of claims eligible for investigation is smaller than the target numbers, then all will be investigated and the remaining number will be selected from a subsequent week.

If, in a particular week, the total number of claims eligible for investigation exceeds the maximum capability of the Denials Pilot investigatory staff, a subsample of claims must be selected for investigation. The remaining (unsampled) claims will not be investigated this week, but may be investigated in a later week in which insufficient numbers of denials and payments occur.

Frequency. The Core QC approach of selecting samples weekly (the batch) has worked well, and the universe of UI new initial and transitional claims will also be constructed and the first stage samples drawn weekly. The frequency for the second stage sampling will also be weekly, but is dependent on the number of denials and payments in a given week.

Comparison Tests. The characteristics of Core QC samples are compared to the population for three demographic data elements (age, sex, race) and the amount paid, offset, or intercepted. These hypothesis tests evaluate the representativeness of the samples, and have, under Random Audit, been used as diagnostic tools to indicate deviations from prescribed methodology.

These tests should continue for the denials pilots. In the absence of any empirical evidence that different data elements would be preferable, the three demographic elements used in Random Audit will also be used in the comparison tests for the Denials Pilot. In place of amount paid, offset, or intercepted, base period wages can be used as the fourth data element in the tests.

The comparison tests will be applied only to the first stage of sampling under Option 3. Since the second stage of sampling is directly dependent on the number of denials and payments that occur in a particular week (which cannot be controlled), attempts to achieve particular sample proportions at this stage could adversely affect the randomness of sample selection.

V. PROCEDURES

This section reviews procedures that investigation staff will follow during the denials demonstration pilots. The first part addresses case selection issues. Case selection procedures define when and under what circumstances staff may begin the investigation of a case. Differences in procedure are noted for the different pilot options. The second part discusses case handling problems, notably difficulties in locating and interviewing claimants, how to determine when to close an incomplete case, and specific procedures for case investigation.

A. Case Selection Procedure

Redeterminations

(1) Investigators will wait 15 calendar days before initiating the QC investigation. This will allow time for most redetermination actions to be initiated, and often completed, on monetarily ineligible claims.

(2) For Options 1 and 2 investigators will use the status following redetermination to determine whether the case should be included in the demonstration. (E.g., if a case is sampled as a denial and later deemed to be eligible as a result of a redetermination, the case will be dropped from the sample.) In Option 3 all cases sampled will be tracked.

(3) All pilot options must investigate a sufficient number of cases each week to yield statistically meaningful results. Special procedures for oversampling will be used for each option to guarantee a large enough pool of denial determinations to make inferences about denial handling from the demonstration.

(4) For Options 1 and 2, all denial determinations will be oversampled to ensure that a minimum number of denials are available for case investigation after the wait period for redeterminations has expired.

(5) For Option 3, all determinations will be oversampled to ensure that a minimum number of denial determinations are available for case investigation.

(6) If the number of sampled cases available for investigation exceeds the target number, cases will be randomly excluded.

Appeals

(1) Investigators will wait 15 calendar days before initiating investigation on denial cases to allow claimants to file appeals on their own accord to eliminate any possibility of the QC investigation triggering the appeal.

(2) Any new information gained in the QC investigation which may be pertinent to an ongoing appeal will be made available to the appropriate authorities, if requested.

Case Review

(1) For Options 1 and 2, the QC investigation is specific to the determination (e.g. initial monetary, separation, or non-monetary, non-separation).

(2) For Option 3 denials, the QC investigation is specific to the determination.

(3) For Option 3 payments, all prior monetary and separation determinations for that case will be reviewed, as in Core QC.

(4) For Option 3 redeterminations, the investigator may ultimately review a case more than once.

Separation Determination Date

(1) Cases will be selected based on the date that the determination is made. If there is no date in the file for separation approvals, certification date for a waiting week will be used.

(2) The data collection instruments will capture when the issue occurred.

Welfare Claimants

(1) Aid to Families with Dependent Children (AFDC) referrals (i.e., AFDC applicants required to apply for UI as a condition of their welfare application) will be part of the monetary determination universe.

(2) An effort will be made to determine if the denials experience of welfare referrals is significantly different from those of other applicants and the impact that this might have on denial error rates.

B. Case Handling Procedures

Contacting Informants/Nonresponse

(1) Standard QC procedure for locating all claimants, employers, and third parties will be used in the pilots. These procedures consist of initial phone calls, mailing (including registered mail in urban areas and registered and regular mail in rural areas), and personal travel if necessary.

(2) States should exercise their own judgment and maintain flexible guidelines for locating and interviewing claimants. There is no requirement for maximum number of contacts attempted; states will use Core QC guidelines in determining when to give up on locating/interviewing a given claimant.

(3) At a minimum, however, the investigator should attempt at least three phone calls, two "calling card" notices, and one certified letter.

Case Completion

(1) All cases should be completed within 60 calendar days.

(2) If after all reasonable attempts to interview relevant parties have been exhausted, investigators should consider an incomplete "closed" after 60 calendar days.

(3) Since some information is missing in such a case, the investigator should use the most complete information available.

(4) For out-of-state situations, investigations may exceed 60 days if the only missing piece(s) of information is requested from another state and the appropriate state official is clearly in the process of responding.

(5) Interstate investigations may be coordinated with the federal regions.

Questionnaire

(1) All questionnaires should be administered in person.

(2) If this is impossible, the investigator, with supervisor approval, may permit the employer or third party questionnaires to be completed by telephone, or in very difficult circumstances, by mail.

(3) Claimant questionnaires must be completed in person.

Out-of-State Investigations and Travel

(1) Both out-of-state investigation and out-of-state travel will follow procedures used in Core QC.

(2) Out-of-State employers will not be directly contacted by the denials pilot staff; all requests will be channeled through the appropriate State agency.

(3) Although investigators enjoy no legal authority outside their own state, investigators may travel out-of-state with approval of their own state agency and that of the other state agency.

Limitations On Interviews

(1) For options where the investigation is specific to the determination (Options 1 and 2 and Option 3 denials), investigators will restrict their interview to only those questions that pertain to the specific determination.

(2) Other data will be accepted if offered, but it will not be solicited.

(3) For option three payments, investigators will broaden the interview(s) to include all relevant determinations, similar to a Core QC investigation.

Erroneous Decisions

(1) When a denials pilot investigation reveals that the state or local agency made errors in a previous determination, these errors will be reported.

(2) Procedures of informing agency of errors will be the same as those used in Core QC.

VI. CURRENT STATUS AND PROJECTED SCHEDULE

Current Status

The current status is best described in terms of the basic tasks to be accomplished before the pilots can be completed. These are (1) Mainframe programming; (2) Data Collection Instrument (DCI); (3) Claimant questionnaire; (4) Investigative procedures; (5) QC Microcomputer software; (6) Evaluation Plan; (7) Staffing Allocations, Investigator and Regional Office reviewer training.

(1) Mainframe Programming

Each option requires the development of software on the SESA mainframe to select the weekly sample and assemble (for

downloading to the QC computer or preparation of hard copy) data from State files relevant to case investigations. Specifications for these programs and the necessary sample selection records have been jointly prepared by State ADP staff and the National Office. The State ADP staff have started the necessary programming and file development. The developmental work on the tracking and selection program for the Benefit Year approach will be much more demanding; specifications for that module have been developed and we are working with the pilot States with a view toward having them divide the developmental work on the subprograms.

(2) Data Collection Instrument. A common DCI has been developed by the five States for all pilots and is now being refined. A copy of this DCI follows this paper.

(3) Claimant Questionnaire. The claimant questionnaire, incorporating all necessary elements from the new DCI, is nearly completed. It should be finalized by the State workgroup at their next meeting (last week in July).

(4) Investigative Procedures. Most issues regarding the investigation of denials cases or procedures which must be changed from Core QC have been resolved by State workgroup staff. They were discussed in some detail in the previous section of this paper. These will be incorporated into an addendum to ET Handbook 395 to guide investigations for the pilots.

(6) QC Hardware and Software. The necessary hardware for the pilots--DEC Micro VAX II minicomputers or the equivalent--will be ordered and should be available in time for startup of the pilots. Software development is in its earliest stages. Preliminary specifications have been drawn up, based on the new DCI. Programming, however, cannot begin in earnest until Core QC program development has been completed and both the new operating system (System V) and Prelude--the commercial data base software--have been installed on the Micro VAX. Installation of software onto the Micro VAX may prove a key point in the timetable for implementation.

(7) Evaluation Plan. The evaluation plans were presented in outline to the workgroup by the pilot support contractor, Applied Management Sciences (AMS), and are undergoing final revisions with State assistance. The workgroup members have completed development of one of the first components of this plan--the time study--and are pilot testing different versions in their States before the one actual used in the pilot. A major hurdle, relating both to the evaluation and to eventual use of the denials findings, is the need to develop measures of error rates which incorporate denials. Development of these

measures involves the resolution of some knotty conceptual problems. The conceptual issues are first being addressed by a consultant to AMS with considerable background in both UI and error measurement techniques.

(8) Staffing and Training. Pilot States have received FY 1986 staffing and funding allocations. All new staff should be on board by August 1. States plan to involve experienced QC investigators in the pilots, using the new positions to handle a mix of Core QC and pilots cases. Training requirements for investigators are expected to be minimal for those with Core QC experience. New investigators, however, will require full Core QC training before they are ready to absorb the few differences involved in investigating denials cases. ETA Regional Office staff who may be involved in the re-review of pilot cases will also receive training. Training has tentatively been set for early to mid-September.

Projected Schedule for the Pilot

It is anticipated that pilot activity will begin in the last week in September in at least the Option 1 and 2 States. If there are delays, they are most likely to affect Benefit Year approach States. The additional mainframe programming is most likely to be the cause of delays, particularly in those States with centralized ADP systems where the SESA has little control over programming priorities. Samples will be drawn for approximately 6 months (perhaps longer in the case of the Benefit Year approach), with the following 3 months devoted to completing investigations of pending cases and any necessary closedown activities. AMS will be preparing its evaluation during this time, and it should be completed approximately by July 1987.